



# Defense Finance and Accounting Service

## Military Retired Pay Newsletter

December 2004

### Legislation Update

Congress has approved legislation that will:

- Permit retirees with at least 20 years of service who are rated at 100 percent disabled by the Department of Veterans Affairs (VA) to receive their full military retired pay and VA disability compensation with no reduction effective Jan. 1, 2005.
- Congress has approved legislation that - over a three-and-half-year period - will eliminate the Social Security Offset reduction applied to the Survivor Benefit Plan (SBP) annuity. This will eliminate the annuity reduction from 55 percent to 35 percent when the annuitant reaches age 62. The reduction will be phased in. Starting October 2005, affected annuitants whose annuity had been reduced to 35 percent will see their annuities increased to the 40 percent level. In April 2006, the annuities will be increased to 45 percent, in April 2007 they will increase to 50 percent, and in April 2008 they will be fully restored to the 55 percent level.
- Retired members currently paying for the Supplemental SBP (SSBP) will see a corresponding decrease in their SBP costs as the elimination of the Social Security Offset reduction is phased in. The SSBP costs will cease effective Nov. 1, 2004.

### Survivor Benefit Plan Open Season

Retirees can look forward to a one-year SBP Open Season beginning Oct. 1, 2005. At that time, retirees not currently participating in the SBP program will be permitted to elect SBP. Retirees participating in the SBP program at a reduced base amount will be permitted to increase the base amount. Lastly, retirees who currently have child only coverage will be permitted to add spouse or former spouse coverage to the existing coverage.

Retirees must live for two years following the election for the coverage to become fully effective. Should the retiree pass away before the period expires, this election shall become void, and all attributed costs will be refunded to the named beneficiary.

A buy-in premium will be required for this Open Season election, which will represent costs that would have been paid for this election had it been made at the first opportunity. Interest and any actuarial charges necessary may be added. The costs associated with buy-in premiums are not yet available, but will be posted on <http://www.dfas.mil> when they are.

### Retirees Gain Control of their Pay Accounts

For faster filing get your 2004 Tax Statement (1099R) and Retiree Account Statement (RAS) online at myPay (<https://mypay.dfas.mil>) two to three weeks earlier than in the mail.

myPay delivers pay information and lets you process pay-related transactions timely, safely and securely. The Web-based system eliminates the risks associated with postal delivery by allowing members to access electronic 1099R, RAS and other financial information. myPay matches industry standards for the highest level of encryption and security to protect myPay users.

"This program gives retirees and annuitants from all Armed Forces the reassurance that personal pay information is secure and guarded from any type of identity theft," says Dennis Eicher, director for Electronic Commerce, DFAS Military and Civilian Pay Services.

myPay provides members up-to-date information on pertinent changes by email. An email address can be submitted through the "Personal Preference" page on the retiree's myPay account.

### Update Your Marital Status

We rely on current marital status information to ensure proper monthly cost deductions for SBP. This is especially true for retirees who elected SBP spouse coverage.

If your marital status has changed, please contact DFAS at 1-800-321-1080.

### Cost of Living Adjustments for 2005

Based on the increase to the Consumer Price Index, there will be a cost of living increase for retired pay and the SBP annuities effective Dec. 1, 2004.

Full 2.7 percent

Partial pre 9/8/80 entrant

2.7 percent

Partials post 9/8/80 entrants:

2.7 percent 1st qtr of 2004 retirement

1.8 percent 2nd qtr of 2004 retirement

0.3 percent 3rd qtr of 2004 retirement

0.0 percent 4th qtr of 2004 retirement

\*The COLA will be reflected in the Jan. 3, 2005 check.

Even those without a computer can make required changes to their account by using computers and Internet access of a family member, friend, public libraries, or kiosks located on military installations. Support is available at 1-800-390-2348 Monday - Friday, 7 a.m. - 7:30 p.m. Eastern.

#### **DFAS Expands Automated Services for Retirees and Annuitants**

Military retirees and annuitants can also obtain account information through the Interactive Voice Response System (IVRS). When customers call 1-800-321-1080 (commercial 216-522-5955), they will hear a new menu option to use this feature.

Customers will be asked to enter their Social Security Number and Personal Identification Number (PIN). To eliminate PIN confusion, customers can use the same PIN to access the IVRS that they use to access myPay. Retirees and annuitants can obtain information in the following areas:

- Certificate of Eligibility or Report of Existence
- Deductions
- Gross and net pay
- Federal and state taxes
- Correspondence address
- Allotments
- SBP coverage

This service is available 24 hours a day, 7 days a week. If you do not have a myPay PIN, please visit the myPay Web site at <https://mypay.dfas.mil>.

#### **Tax-free Compensation Available to Veterans under Combat-Related Special Compensation**

Applications for Combat Related Special Compensation (CRSC) pay have not increased as officials expected. Officials expected more retirees would apply when the benefit was expanded to include all combat-related disabilities rated as service-connected by VA at 10 percent or higher.

The services' CRSC staffs think the lack of participation may be because many retirees have not heard about the program or are confusing CRSC criteria with Concurrent Retirement Disability Payments (CRDP). When in doubt, retirees should apply.

CRSC is awarded to active duty retirees with 20 years or more active duty or Reservists and Guardsmen who retired at age 60 and have a combat-related VA disability. Although CRSC addresses "combat-related" disabilities, retirees with disabilities from other causes may be eligible. Disabilities from Agent Orange, combat training, war games or hazardous service are examples that may be compensated.

Veterans receiving VA compensation, even those already receiving CRDP, should send in all documentation which

addresses how the disability came about and let the CRSC staffs determine if it qualifies. Those eligible for both CRSC and CRDP can annually determine which payment to elect since CRDP may increase as it is phased in over a 10-year period.

Applications, guidance, services' addresses and Web sites are available online at

<http://www.dior.whs.mil/forms/DD2860T.PDF>. For questions regarding your CRSC application, contact individual services at the phone numbers listed on their Web sites.

#### **Concurrent Retirement and Disability Payments Update**

##### *CRDP Increases*

Most retirees will receive an increased CRDP payment on Feb. 2, 2005. CRDP increases are effective on January 1st of each year with the first increased amount reflected in the February payment.

The increase in CRDP amounts will be determined by a formula, not a flat rate (as with COLA). For 2005, up to 10 percent of the difference between the VA waiver amount and the CRDP amount will be restored. For more details, visit <http://www.dfas.mil>.

For retirees who are rated at 100 percent by the VA, current legislation allows the full amount of VA waiver to be restored without having to wait for the 10-year phase-in. Regardless of the computation, new gross CRDP cannot exceed the lesser of the gross retired pay or VA waiver.

##### *CRDP & Taxes*

Retirees will receive one 1099-R reflecting taxable retired pay and taxable CRDP received in 2004.

Retirees will receive two 1099-Rs - one for taxable retired pay, one for taxable Special Compensation for the Severely Disabled (SCSD) payments - if they received any SCSD payments in 2004. This includes payment of retroactive amounts.

#### **Combat-Related Special Compensation Update**

##### *CRSC Increases*

The 2.7 percent 2005 COLA applied to VA rates will result in corresponding increases in CRSC amounts. Most retirees will receive an increased CRSC payment on Jan. 3, 2005.

##### *New CRSC recipients*

Retirees will receive their initial CRSC payment - including applicable increases for dependency, Individual Unemployability (IU) and Special Monthly Compensation (SMC) - within sixty days of the date of their approval letters. The initial CRSC payments will always be dated for the first business day of the month. Many retirees will receive their retroactive CRSC payments with applicable increases within the same week; however, due to the complexity of the calculation, it may take longer to compute retroactive CRSC payments.